

**JUDGES' RETIREMENT SYSTEM OF ILLINOIS
MEETING NO. 357**

**MINUTES OF THE ANNUAL MEETING
OF THE BOARD OF TRUSTEES**

October 28, 2022

The annual meeting of the Board of Trustees of the Judges Retirement System of Illinois was held on Friday, October 28, 2022, at 10:00 a.m. in the System's Springfield Office at 2101 S. Veterans Parkway, Springfield, Illinois and by videoconference, as allowed under Section 7(e) of the Open Meetings Act (5 ILCS 120/7(e)).

Roll Call was taken with the following trustees in attendance by videoconference:

Judge Debra Walker, Chairperson and Proxy for Chief Justice Mary Jane Theis
Judge Charles M. Feeney
Judge Karen Wall
Judge John C. Anderson
Catherine Shannon, Proxy for State Treasurer Michael Frerichs

Others present:

Timothy B. Blair, Administrative Secretary
Jeff Houch, Assistant to Administrative Secretary
Samantha Goetz, SRS General Counsel
Angie Ackerson, JRS Manager
Johara Farhadieh, Executive Director, Illinois State Board of Investment (by videoconference)
Scott Richards, Senior Investment Officer, Illinois State Board of Investment (by videoconference)
Alex Rivera, Consulting Actuary, Gabriel, Roeder, Smith & Company (by videoconference)
Jeff Tebeau, Consulting Actuary, Gabriel, Roeder, Smith & Company (by videoconference)
Heidi Barry, Consulting Actuary, Gabriel, Roeder, Smith & Company (by videoconference)

With a quorum present, Chairperson Walker called the meeting to order at 10:00 a.m.

Chairperson Walker welcomed recently appointed Judge Wall to the Board and asked her to introduce herself. Judge Wall noted she has served twelve years on the bench in the 5th Circuit.

REPORT OF THE ILLINOIS STATE BOARD OF INVESTMENT (ISBI)

Johara Farhadieh, ISBI Director, started her presentation by announcing that ISBI was recognized by the American Investment Council as the top-performing private equity portfolio of any public pension fund in the country for the third year in a row. She noted a Diversity Policy Review as of June 30, 2022 was distributed to trustees and indicated she would not be discussing the document during the meeting.

Director Farhadieh directed the Board's attention to the ISBI June 30, 2022, Performance Update and stated the portfolio lost 6.3% in FY 22, ranking in the 10th percentile of the public fund peer group over the one-year period, adding the portfolio totaled \$23.2 billion on June 30, 2022. She highlighted the actual allocation of assets in comparison to the policy allocation, noting the Private Equity composite is no longer underweight due to the market downturn, but Private Credit, Infrastructure and Real Estate remain

underweight. Director Farhadieh concluded her portion of the report by reviewing ISBI's asset deployment strategy regarding active versus passive exposure.

Director Farhadieh turned the presentation over to Scott Richards, ISBI Senior Investment Officer, to review the performance of individual asset classes. He began by pointing out the Fixed Income portfolio lost 6.9%, net of fees, for the year ended June 30, 2022, outperforming the benchmark by 4%. Mr. Richards added the Core Fixed Income portfolio and the Treasury Inflation Protected Securities Composite (TIPS) lost 10.9% and 5.1%, respectively, while the Multi Asset Credit portfolio lost 2%, outperforming the benchmark by 5.8%. He noted the Private Credit portfolio returned 7.9%, outperforming the benchmark by 12.1%, and the Global Equity portfolio lost 11.9% and the U.S. Equity portfolio declined 14.9%.

Mr. Richards continued his report by informing the Board the Non-U.S. Equity portfolio fell 18.5% for the 12 months ended June 30, 2022, but exceeded the benchmark return by 1.4%, while the Private Equity portfolio advanced 21.7% trailing the benchmark by 5%. He concluded his review of the asset classes by adding the Infrastructure Composite returned 12.7% and the Real Estate portfolio was the best performing asset class with a return of 26.3% in FY 22, net of fees.

Chairperson Walker thanked Director Farhadieh and Mr. Richards for their reports and excused them from the remainder of the meeting. Trustee Feeney moved to approve the ISBI report, and Trustee Wall seconded the motion. Ms. Ackerson took roll call, and the motion was approved unanimously. A copy of the June 30, 2022 Quarterly Review is maintained in the ISBI office and made part of these minutes as *Exhibit A*.

REPORT OF CONSULTING ACTUARIES

Alex Rivera, Jeff Tebeau, and Heidi Barry of Gabriel, Roeder, Smith & Company, presented draft copies of the FY 22 JRS actuarial valuation. Mr. Rivera stated the purpose of the actuarial valuation is to measure the funded status of the System on June 30, 2022, and to determine the State's contribution rate for FY 24. He added that Public Act 100-0023, effective July 6, 2017, modified the State's funding policy to smooth State contribution rate increases or decreases due to changes in actuarial assumptions, including the investment return assumption, over a five-year period in equal annual amounts.

Mr. Rivera continued his report and noted the actuarial accrued liability increased from \$2.92 billion on June 30, 2021 to \$2.96 billion on June 30, 2022. He indicated the market value of assets decreased and the funded ratio on a market value basis decreased from 47% to 43.3%. Mr. Rivera noted that despite the negative return, the actuarial value of assets increased from approximately \$1.2 billion to \$1.3 billion due to smoothing, which increased the funded ratio based on the actuarial value of assets from 42% to 44%. He referred the Board to a slide showing the funded ratio is expected to slowly increase until FY 33, and then rapidly increase after FY 34 to reach 90% funded in FY 45. Mr. Rivera then turned the presentation over to Ms. Barry.

Ms. Barry began her presentation by stating that for FY 22, employer contributions totaled \$156 million, employee contributions were \$14.6 million, and the benefits and expenses were \$182.3 million, resulting in negative net cash flow of approximately \$11.7 million. She indicated this means the Fund is using assets to pay benefits and the projection from 2023 to 2033, the percentage of investment income needed to pay ongoing benefits is projected to increase from approximately 47% to 96%. Ms. Barry then stated the FY 24 State Contribution rate increased from 91.911% of payroll to 95.6%, which is a \$5 million increase from FY 23, to \$147.8 million. She also stated the actuarially determined contribution is \$174.7 million, which is 17.354%,

or \$27 million higher than the amount calculated under the statutory funding plan. She stated the remaining amortization period is 18 years as of June 30, 2022 for the unfunded liability.

Ms. Barry then addressed the actuarial experience review for the period July 1, 2018 through June 30, 2021, effective for the 2022 valuation. She indicated the study resulted in an update to most demographic assumptions which decreased the actuarial accrued liability by \$32.7 million, decreased the employer normal cost by \$454,000 and decreased the FY 24 State contribution by about \$1.1 million. Ms. Barry noted the next experience review will be for the period from July 1, 2021, through June 20, 2024 with the resulting assumptions used in the June 30, 2025, actuarial valuation.

Following a review of projected benefits and contributions over the remainder of the funding plan, Trustee Shannon moved to accept the draft FY 22 valuation and preliminarily certify the \$147.838 million FY 24 employer contribution. Trustee Anderson seconded the motion. Ms. Ackerson took roll call, and the motion was approved unanimously. Chairperson Walker thanked Mr. Rivera, Mr. Tebeau, and Ms. Barry and excused them from the remainder of the meeting.

A copy of the presentation is maintained in the JRS office and made part of these minutes as *Exhibit B*.

MINUTES OF PREVIOUS MEETING

The minutes of Meeting No. 356 held on July 29, 2022, were presented by Chairperson Walker for approval. Copies of these minutes were previously submitted to all trustees for preliminary review. Trustee Feeney made a motion to approve the minutes, and the motion was seconded by Vice-Chair Anderson. Ms. Ackerson took roll call, and the motion was approved unanimously.

ELECTION OF 2023 OFFICERS

Chairperson Walker announced the election of 2023 officers was in order and opened the meeting for nominations. Judge Walker indicated she had attended her first State Board of Investment meeting and was willing to continue serving as Chair if she were nominated. Judge Feeney nominated Judge Walker as Chairperson in 2023 and the nomination was seconded by Judge Anderson. Chairperson Walker asked Judge Anderson if he would be willing to serve as Vice-Chair since he was the second longest serving trustee. He agreed and Judge Feeney then nominated Judge Anderson as Vice-Chairperson. Judge Wall seconded the nomination and then motioned to nominate Timothy Blair as Administrative Secretary. The nomination was seconded by Trustee Shannon.

Ms. Ackerson took roll call, and the votes resulted in the unanimous election of Chairperson Walker as Chairperson of the JRS Board of Trustees, Judge Anderson as Vice-Chairperson of the JRS Board of Trustees, and Timothy Blair as JRS Administrative Secretary for calendar year 2023.

READING OF COMMUNICATIONS

Chairperson Walker asked Secretary Blair if there were any communications to be presented to the Board. He informed the trustees he received notice from Chief Supreme Court Justice Mary Jane Theis confirming Judge Walker will serve as her proxy. He also noted the receipt of an order appointing Judge Karen Wall to a three-year term beginning September 17, 2022.

REPORT OF CHAIRPERSON

Chairperson Walker offered no report.

REPORT OF ANY TRUSTEE

Chairperson Walker asked if there were any trustee reports. No reports were offered.

REPORT OF SECRETARY

Financial Statements of September 30, 2022. Secretary Blair reviewed the financial statements for the quarter that ended September 30, 2022. He noted that during the quarter JRS had total receipts of \$42 million, disbursements of \$46.5 million, and a cash balance of \$13.3 million. Secretary Blair reported 982 retirement annuities were paid each month, which exceeds the number of sitting judges. He reported the System is paying 320 survivors, 30 QILDRO alternate payees each month and 93 excess benefits to judges.

Secretary Blair informed the Board that \$2 million was withdrawn from the ISBI portfolio in the first quarter of FY 23 and projects the need to withdraw up to \$34 million from ISBI in FY 23 due to the decreased participant contributions in the 1st and 2nd quarters of FY 23 and large numbers of upcoming retirements.

At the conclusion of Secretary Blair's presentation, Chairperson Walker asked if there was a motion to approve the financial statements. Trustee Anderson moved to approve the September 30, 2022 financial statements. The motion was seconded by Trustee Feeney. Ms. Ackerson took roll call, and the motion was approved unanimously.

Copies of the Financial Statements have been placed on file and made a part of these minutes as *Exhibit C*.

2023 Meeting Dates. Secretary Blair presented the proposed calendar year 2023 meeting dates. Chairperson Walker asked if all trustees had reviewed the meeting dates for 2023: January 13; March 31; July 28; and October 27. All meetings will begin at 10 a.m. in Room N-1810 of the Bilandic Building, 160 North LaSalle Street, Chicago, unless a disaster proclamation allows meetings to be held by videoconference. After brief discussion, Trustee Anderson made a motion to approve the 2023 meeting dates; the motion was seconded by Trustee Wall. Ms. Ackerson took roll call, and all were in favor.

FY 2023 Funding Update. Secretary Blair informed the Board that the System has received all required employer contributions for FY 23, noting the Comptroller's Office is current in making the State contributions and the November contribution has already been received.

REPORT OF THE MANAGER

Annuities and Refunds for Approval. Ms. Ackerson presented nineteen retirement annuities processed since the last Board meeting totaling \$253,143.21 per month and eleven survivor annuities totaling \$52,417.49 per month. A review of the refunds for approval included one death before retirement refund, one death after retirement refund and two survivor annuity contribution refunds totaling \$192,086.79. She noted there were two error refunds processed, totaling \$20,332.31. Following discussion, Trustee Feeney moved for approval of the annuities and refunds as presented. Trustee Shannon seconded the motion. Ms. Ackerson took roll call, and the motion was approved unanimously.

Death of Members. Ms. Ackerson reported the deaths of thirteen JRS members since the July meeting. This report is made a part of these minutes as *Exhibit D*.

OLD BUSINESS

No old business was reported.

NEW BUSINESS

No new business was reported.

PUBLIC COMMENTS

Chairperson Walker asked if any members of the public wished to address the Board. There were no members of the public in attendance and no public comments submitted.

ADJOURNMENT

There being no further business to be brought before the Board, Trustee Anderson moved to adjourn at 11:30 a.m. His motion was seconded by Trustee Feeney. Chairperson Walker reminded trustees that the next Board meeting is scheduled for Friday, January 13, 2023, at 10 a.m., and the meeting adjourned.

Timothy B. Blair, Secretary

Date: _____

APPROVED:

Chairperson Debra Walker